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Approved For Release 2002/07/30 : CIA-RDP79T00975A003200220001-1

26 July 1957

Copy No. 136

CURRENT INTELLIGENCE BULLETIN

DOCUMENTED: 22
NO CHANGE IN CLASS.
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 4-1-80 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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3. TITO REJECTS KHRUSHCHEV INVITATION TO MOSCOW

25X1 [redacted] Marshal Tito, declaring that he will not "join the parade" to the Kremlin, has flatly rejected an invitation extended last week by Khrushchev to visit Moscow, [redacted]

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25X1 [redacted] he does not expect more than outwardly normal state relations with Moscow and anticipates a continuation of Soviet ideological attacks against the Yugoslav party. [redacted]

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25X1 [redacted] Tito said he intends to be cautious with Khrushchev since there is still more than one faction in the presidium and stability of the present ruling group is not entirely certain. In any event, Tito stated, Khrushchev is impulsive and must be carefully watched.

The return to Yugoslavia on 23 July of Micunovic, the Yugoslav ambassador to Moscow, for a three- or four-week vacation also suggests that Belgrade does not foresee any immediate startling developments in Yugoslav-Soviet relations.

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4. ARGENTINA RULES AGAINST TWO EUROPEAN ELECTRIC COMPANIES

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Argentina on 24 July nullified two municipal ordinances extending the concessions of two European-owned electric power companies. As a result, the Belgian-controlled concession (CADE) will expire on 31 December 1957, and the Italian-Swiss concession (ITALO) will expire on 31 December 1962.

The decree also provides for immediate government control of CADE, which is charged with inefficient service and with violating its 1907 concession. According to the Ministry of Industry and Commerce, the decree was based on the report of a national advisory commission appointed last April to investigate the legitimacy of the extensions of these concessions.

Comment

The concession extensions have been under sharp attack for over 16 years, with objective observers inclined to believe that graft was involved. The government apparently timed the announcement to gain political advantage in the 28 July constituent assembly elections--as suggested by concurrent praise in the press for the state's own operation of the oil fields. The government apparently hopes that adverse foreign reaction will be diluted by its declarations favorable to foreign investment in power development, as well as by its announcement that the dispute over private versus public power will be settled by the constituent assembly and the next elected government.

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5. POSSIBLE REVOLUTIONARY ATTEMPT IN CUBA

Comment on:

Fidel Castro is rumored to be planning action against the government of Cuban President Fulgencio Batista, and some spokesmen for the rebels have predicted 26 July as the target date. Castro has urged a 15-minute "general strike" on that day.

Castro has said that his plan of action calls for the capture of an important city in Oriente Province--possibly Santiago de Cuba--with the hope that such an action will spark an island-wide revolt. The possibility that Castro will strike soon was strengthened on 20 July by his publication of a manifesto calling for the ousting of Batista by a civilian provisional president charged with holding general elections as soon as possible.

Support for Castro's movement is widespread throughout Oriente Province, where he has maintained revolutionary headquarters since last November. Although not all the political opposition supports Castro, some political leaders and respected business and civic figures throughout Cuba are known to sympathize with his movement. He has little, if any, backing among the military, however, and Batista can weather almost any storm with the support of the army.

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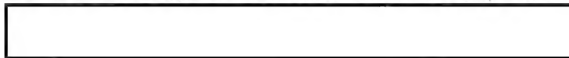
8. BURMA REPORTEDLY RECEIVES CZECH ARMS OFFER

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Czech trade representatives in Burma have offered to deliver Soviet-type military equipment to Burma to be paid for in rice at an "advantageous price," according to press reports. The equipment offered includes jet aircraft, artillery, light arms, and perhaps even a small-arms factory. Burma might be allowed to use its \$17,500,000 trade balance with the USSR, and pay the rest through a long-term credit arrangement.

As reported, the Czech terms would be highly attractive to the Burmese, who need additional arms to implement Prime Minister U Nu's intention to place increased emphasis on the restoration of law and order in the new Four-Year Plan.



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10. PEIPING PROTESTS BRITISH MOVES IN HONG KONG

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In its third official protest in a month involving Hong Kong, Peiping delivered a note to the British chargé in Peiping on 24 July protesting the action of the Hong Kong government in evicting some

200,000 Chinese residents from areas near Kaitak airfield. The note states that the "forcible evictions" and destruction of homes in ten villages north of Kaitak violate the "traditional rights" of Chinese, and that Hong Kong authorities will be held accountable for all consequences.

The recent protests suggest the Chinese Communists are intent on compiling a record to use in some future campaign against the British that shows Peiping as champion of Chinese residents in Hong Kong. They also could be aimed at supporting Chinese Communist suggestions that Peiping be represented in Hong Kong by a commissioner.

The Hong Kong government is engaged in an extensive resettlement and development program to provide improved housing for the more than 300,000 Chinese slum dwellers. The Communists have exploited the temporary disruption caused by this program, and probably will make similar use of the plan to enlarge Kaitak airfield, to fan uneasiness among Chinese residents and, perhaps, to create incidents.

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ANNEX

Watch Report 364, 25 July 1957
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the orbit in the immediate future.
- C. Early deliberate initiation of hostilities by Israel or the Arab states is not probable. Although tensions continue between the Arab states and Israel and among certain Arab states themselves, these are not likely to lead to serious conflict in the immediate future.

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